INCOMING TELEGRAM

Department of State

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FROM: Benghazi

TO: Secretary of State

NO: 309, December 31, 6 p.m.

PRIORITY

DEPARTMENT OF STATE A/CDC/MR
REVIEWER: J.M. Razi Date: May 6, 1982

SENT DEPARTMENT 309, REPEATED INFORMATION TRIPOLI UNNUMBERED.

Prime Minister asked me to call on "urgent matter" December 29. Kubar said GOL had to submit budget for coming fiscal year to Libyan Parliament before January 30. Consequently urgent GOL know amount American economic assistance and extent its participation in Libyan budget for 1959. He asked that I authorize Gordon (Director USOM) to undertake discussions immediately with Shaglouf (designated Libyan representative for development programs) to reach early agreement. Since negotiations regarding financial aspects base agreement might drag on for some months, Prime Minister suggested Gordon-Shaglouf talks be separate and concluded before end next month.

In response his request for my comments, I reviewed generally continuing programs in fields of agriculture, water resources, health and sanitation, and education which we thought were in best interests of Libyan development and Libyan people and which we prepared support in 1959 programs. These totalled approximately $8 million. Another project worthy of our assistance was telecommunications towards which tentatively allocted $1.6 million. Furthermore, a miscellany of projects including community development, audio-visual, support of joint services, and public information and safety, required an additional $1.4 million. Gordon, I said, was authorized to negotiate and conclude agreements with Shaglouf immediately on these programs and within level this assistance totalling roughly $11 million.

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Prime Minister asked about $5.5 million budgetary support which we had contributed last year. He said US participation in budget even more vital this year to cover even larger deficit than last. Furthermore, while obviously desirable continue projects already started, public, Parliament and even Council of Ministers would expect some new and interesting projects in our 1959 program.

I pointed out:

(A) Explain reason why $11 million on economic development program outlined above could not be included in government's presentation to Parliament by January 30 if agreement could be reached on Libyan side regarding division among various ministeries;

(B) Beyond this, Gordon not authorized at present conclude project agreements, and I surmise this result new situation created by Libyan note November 18 requesting renegotiation financial aspects 1954 agreement;

(C) US aid program had never in my knowledge been agreed with GOL and completed before January 30 deadline;

(D) Nothing to prevent GOL from submitting to USOM for consideration and possible reference Washington any additional economic development projects beyond those outlined by me earlier.

Prime Minister asked that I inform Washington sense of urgency felt by Libyan Government and request earliest possible replies to (A) Libyan Government's note NOvember 18; and (B) amount of American participantion in Libyan budget for fiscal year beginning April. I agreed to do so.

Obviously Prime Minister would like to conclude negotiations with us on type and level economic aid 1959 before coming to grips with us on financial compensation for base. Tactically this would, of course, be to Libya's advantage since agreed level of economic aid would then serve as floor to Prime Minister's further

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further demands for unconditional funds as air base rent. Recommend we hold approximately 4 million MSA 1959 funds in reserve until early rounds of negotiations with Libyans on financial aspects base agreement have given some indication their demands. In recent meetings with Shaglouf and advisers, figure of $10 million "rent" Wheelus was suggested to Gordon as possible figure for talking purposes.

JONES

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